

RA Expects Slow Recovery in Az. Economy

Forecast Calls for Increase of Only 38,000 Jobs Over Two-Year Period

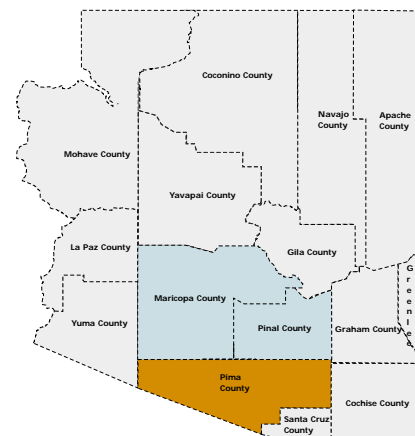
In 2001, Arizona businesses expanded by nearly 23,000 nonfarm payroll jobs, representing growth of one full percentage point. While this may appear comparably better than the national economy — which grew by a meager three-tenths of one percentage point — Arizona's economy is projected to experience additional weakness in its job growth during 2002.

According to Arizona's Department of Economic Security, Research Administration (RA), Arizona will lose

Forecast



'02-'03



Major Arizona Subregions

- Phoenix-Mesa MA (Maricopa and Pinal counties)
- Tucson MA (Pima County)
- Balance of State

more than 17,000 jobs (-0.8%) in 2002 as businesses continue to adjust their workforce to slower demand and cost-containment goals. However, a general recovery is expected in 2003 as economic momentum builds and businesses add more than 55,000 jobs (2.5%).

In all, RA's two-year forecast calls for job growth of more than 38,000 jobs as weakness is projected to be nearly pervasive among industries in 2002. Perhaps more notable is that the once enviable and fast-growing metropolitan areas are expected to show the sharpest downturn in jobs in 2002.

Arizona's construction industry has been showing slower job growth since 1998. The industry slowed even further, adding only 3,000 jobs (1.9%) in 2001. Low mortgage rates helped homebuilders sell a record

number of homes in 2001, according to the initial figures provided in a recent report by the Meyers Group. While the permit activity has begun to slow, the Phoenix-Mesa Metropolitan Area (MA) was ranked second among metropolitan areas in single-family permits. RA forecasts show construction jobs will decline by roughly 4 percent in 2002, recovering slightly to show a three-tenths of one percentage-point gain in 2003.

Arizona's manufacturing businesses reduced their workforce by an average of nearly 3 percent in 2001. Pulled down by retracted business investment spending that had for many years earlier supported robust growth, durable-goods manufacturing experienced more severely the cutbacks in employment. RA projections show continued weakness in the hardest hit sectors of industrial machinery and metal-products manufacturing. And

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RA expects manufacturing jobs will decline by 4.6 percent in 2002. An improvement is projected in 2003, as jobs grow by 1.6 percent.

Mining, the remaining goods-producing industry, is forecast to show a continued downward trend throughout the forecast horizon. RA projections show this industry scaling back its workforce by 10 percent in 2002, because the sharp drop in industrial production and low mineral prices have compelled minerals extraction and processing businesses to pull back. Extended downward pressure on this industry is expected through 2003.

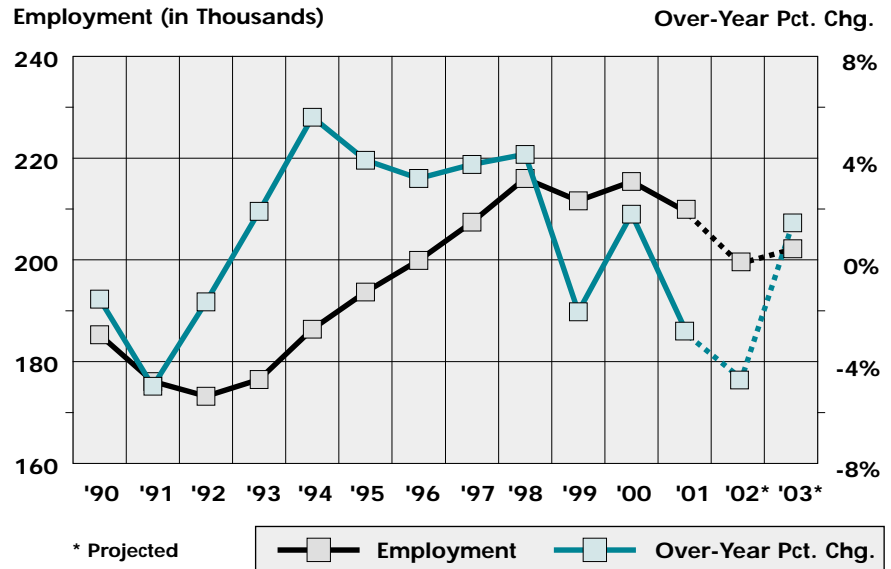
Arizona's service-producing industries are forecast to show additional weakness in 2002, with a modest recovery in 2003. During 2001, job growth slowed significantly throughout the combined service-producing industries as the economic downturn extended beyond the goods-producing industries. Additionally, the economic effects following the September 11th terrorist attacks have become clearer as data have become available.

Aside from the highly publicized air and transportation industry, Arizona's tourism trade and services industries have perhaps suffered most in the economic consequences of September 11. The cyclical downturn that had already been set in motion by businesses cutting back on expenses brought about fewer conventions, conferences, and other business-related travel. Following the tragic events of 9/11, the compounding forces of demand slowed more significantly as consumers largely refrained from traveling.

Arizona's hotels and lodging industry has experienced a large share of economic losses. As a result, hotels and lodging employment showed the steepest annualized contraction ever experienced. And to suggest that the industry hasn't fully recovered, RA forecasts show continued weakness

Figure 1

Arizona Manufacturing Employment and Over-the-Year Percentage Change, Actual (1990-2001) and Projected (2002-2003)



Source: Arizona Dept. of Economic Security, Research Administration, March 2002

Figure 2

Arizona Mining Employment and Over-the-Year Percentage Change, Actual (1990-2001) and Projected (2002-2003)



Source: Arizona Dept. of Economic Security, Research Administration, March 2002

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in 2002, with only a modest improvement in 2003.

The health services sector is projected to continue a sustained employment growth trend through the forecast period. In all, RA forecasts services to decline by six-tenths of one percentage point in 2002 and rebound more vibrantly among Arizona's industries to growth of 3.3 percent in 2003.

Retracted demand has also impacted jobs in Arizona's trade industry. In 2000, trade employment grew by more than 17,000 jobs (3.4 percent), while growing by 6,400 (1.2 percent) in 2001. RA forecasts call for a loss of 1,400 trade jobs (-0.3 percent) in 2002. Growth of nearly 12,000 jobs is forecast for 2003 as the recovery of business and consumer demand once again gains momentum.

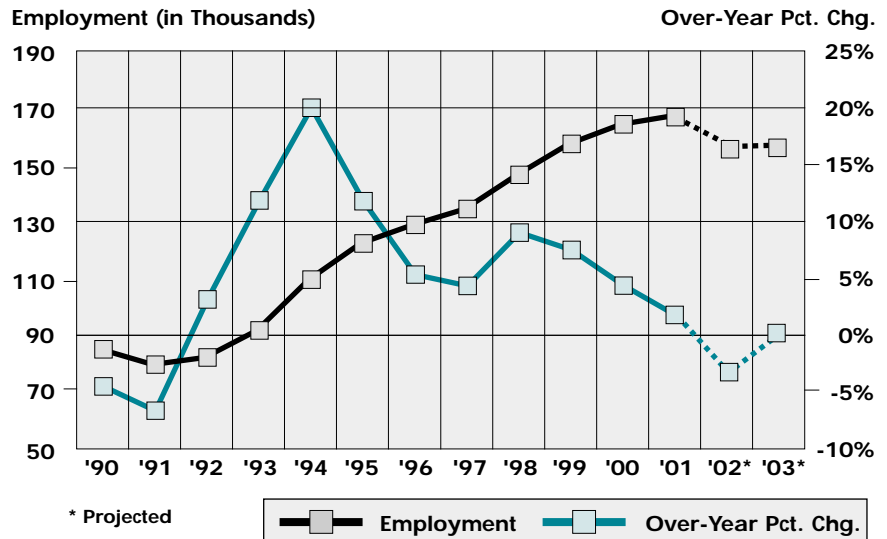
While consumers have largely been responsible for sustaining economic momentum by continuing to spend — responding positively to the intense price competition within the economy — food stores, automotive, and department and apparel sectors will each be forced to adjust by paring employment levels in order to maintain a competitive advantage in the marketplace of 2002. A slight increase in employment, however, is expected in these areas of trade in 2003.

RA's forecast shows Arizona's finance, insurance, and real estate (FIRE) industry employment will remain flat in 2002, ending the sizable (4.2 percent) gains in 2001. Real estate activity is expected to slow throughout the forecast period, while insurance, financial, and investment firms are expected to largely emphasize cost reduction and risk management. This will be the constraining force on jobs in this industry group.

Meanwhile, RA expects the transportation, communications, and public utilities (TCPU) group will show a net loss of jobs over the two-year forecast horizon. The communica-

Figure 3

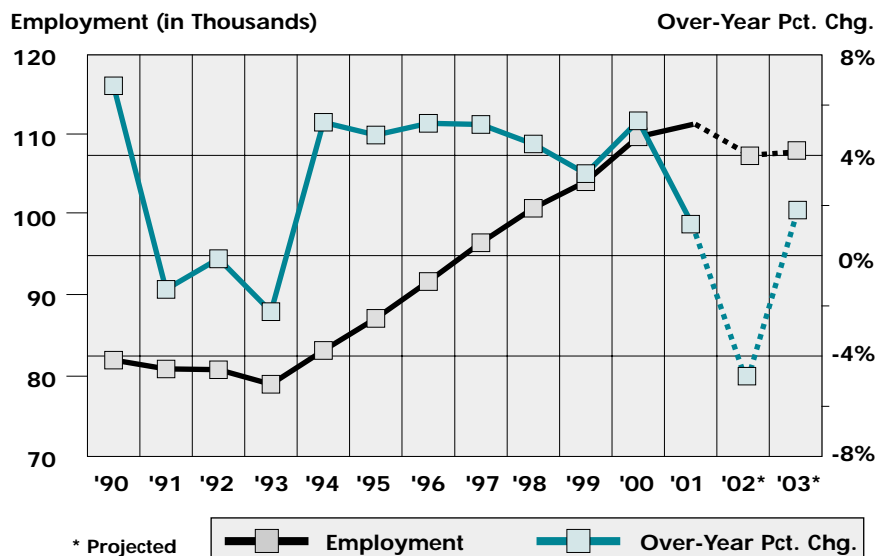
Arizona Construction Employment and Over-the-Year Percentage Change, Actual (1990-2001) and Projected (2002-2003)



Source: Arizona Dept. of Economic Security, Research Administration, March 2002

Figure 4

Arizona Transportation, Communication, and Public Utilities Employment and Over-the-Year Percentage Change, Actual (1990-2001) and Projected (2002-2003)



Source: Arizona Dept. of Economic Security, Research Administration, March 2002

tions and travel sectors are projected to experience losses in 2002, but RA expects the beginning of a turn-around for job growth in 2003. RA sees an employment contraction for TCPU of slightly more than 5 percent in 2002 with nearly a 2 percent recovery in 2003.

As one might expect as the economy takes a turn for the worse in 2002, Arizona's government sector will be facing increased demand for services during a time in which fiscal restraint has been imposed. State and local education has also continued to grapple with strong demand, which is likely to increase as many students opt for extending their academic goals (in lieu of pursuing a job) until the economy improves. It wasn't so long ago this option was reversed — strong demand and low unemployment rates forcing employers to offer candidates bonuses and special perks. Overall, government is expected to experience moderate growth of 3 percent in 2002 and 2.8 percent in 2003.

In conclusion, Arizona's economy showed considerable weakness during the second half of 2001, with economic conditions for the Grand Canyon State made even worse by the tragic events of September 11. Tourism revenues and jobs, especially, have been impacted by the resulting economic repercussions. And at least until the Homeland Security Office can restore consumer confidence about traveling — through improvements to the traveling infrastructure that offer greater ease to the traveling public — some refrain by business and families can be expected.

Furthermore, it cannot be easily presumed that the impacts have been contained to any single industry; any more than it can be presumed that the effects have been contained to any one region. Just as Arizona has increasingly integrated its economy to other regions of the nation and the world, it also shares in the negative-related interdependencies. RA is

Figure 5

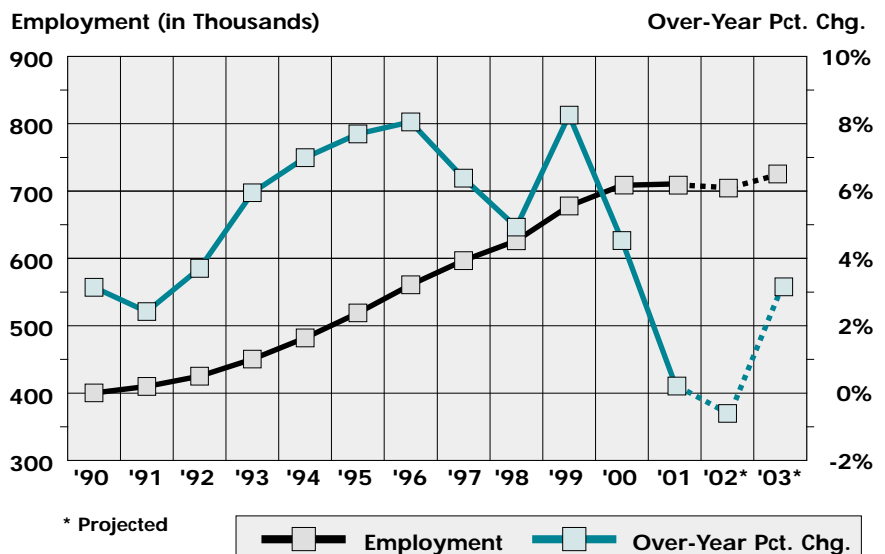
Arizona Finance, Insurance, and Real Estate Employment and Over-the-Year Percentage Change, Actual (1990-2001) and Projected (2002-2003)



Source: Arizona Dept. of Economic Security, Research Administration, March 2002

Figure 6

Arizona Services Employment and Over-the-Year Percentage Change, Actual (1990-2001) and Projected (2002-2003)



Source: Arizona Dept. of Economic Security, Research Administration, March 2002

convinced that the future of Arizona's jobs will improve as the nation and world economies recover.

Phoenix-Mesa MA

When Arizona's economy was strong during the mid- and late-1990s, it was stronger in the Phoenix-Mesa Metropolitan Area (MA). During those years, jobs statewide grew at rates near or above 6 percent, while in the Phoenix-Mesa MA jobs expanded at rates near or above 7 percent.

Now the pendulum has swung the other way and the RA forecast for 2002 portends jobs being lost over the year at a -0.8 percent rate statewide, but at a -1.5 percent rate in Phoenix-Mesa. While Arizona is expected to lose 17,000 jobs over the year, Phoenix-Mesa will lose 24,000. Of course, these figures imply that there will be positive growth in other areas of the state.

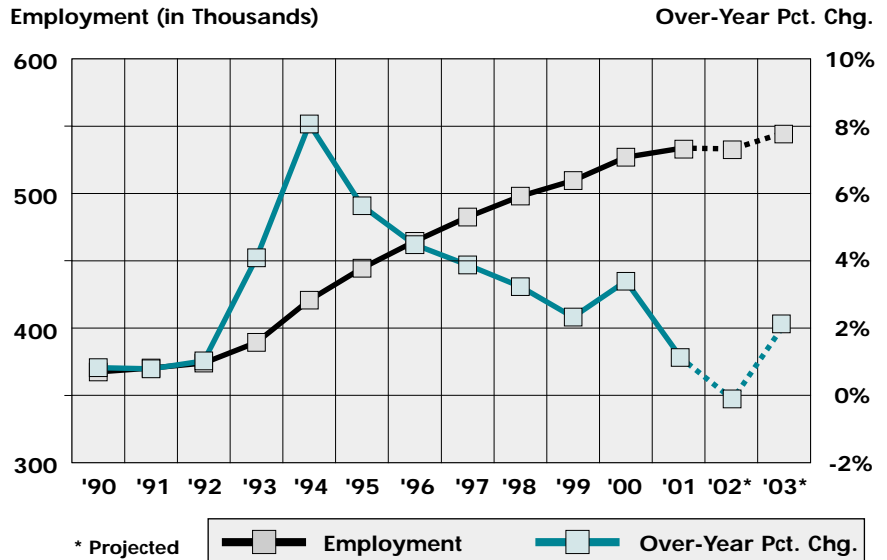
As at the state level, the losses in the Phoenix-Mesa MA will not be confined to one or two industries, but will be dispersed throughout the economy. Losses will occur in all major industry groups, except government and FIRE (finance, insurance, and real estate). Government escapes the axe only because continuing population growth causes a need for more schools and personnel to run them. Employment levels in FIRE are expected to remain unchanged.

The axe will drop most heavily on the manufacturing sector, which will lose 9,200 jobs in 2002, having already lost 6,800 jobs in 2001. Many of these losses will be from the high-tech sectors of machinery manufacturing (semiconductor and telecommunication-equipment factories), and aircraft components makers. These industries encompass some of the state's largest private-sector employers.

Construction, the other major goods-producing industry in the Phoenix-Mesa MA, will lose 6,100 jobs in 2002, more than 90 percent of the statewide loss. These expected

Figure 7

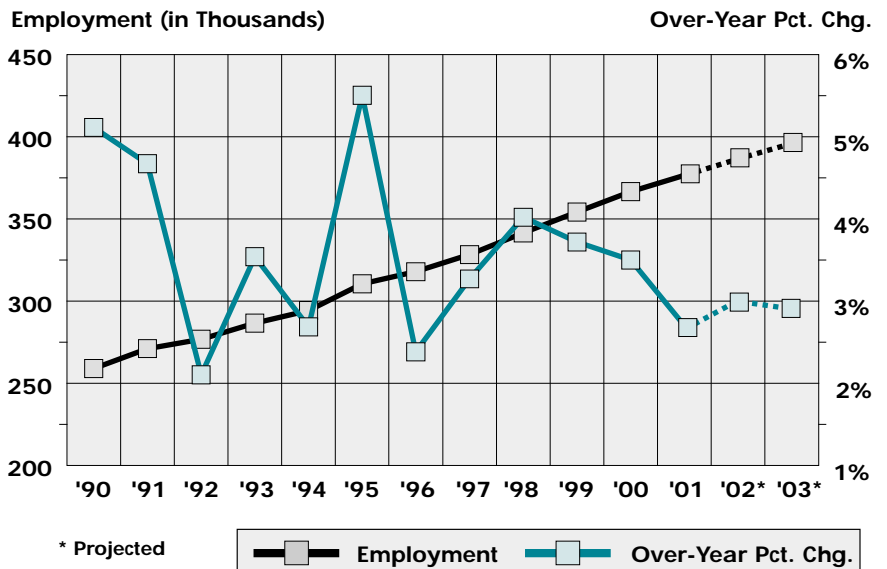
Arizona Trade Employment and Over-the-Year Percentage Change, Actual (1990-2001) and Projected (2002-2003)



Source: Arizona Dept. of Economic Security, Research Administration, March 2002

Figure 8

Arizona Government Employment and Over-the-Year Percentage Change, Actual (1990-2001) and Projected (2002-2003)



Source: Arizona Dept. of Economic Security, Research Administration, March 2002

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losses follow a record year of residential building permit activity in 2001 and 10 consecutive years of annual employment growth. Construction employment peaked in 2001 at 121,200, or 136 percent growth since 1991. Looking into 2003, construction will be the only major industry group besides mining that will continue to lose employment. Another 1,100 jobs will be lost, or just under 1 percent.

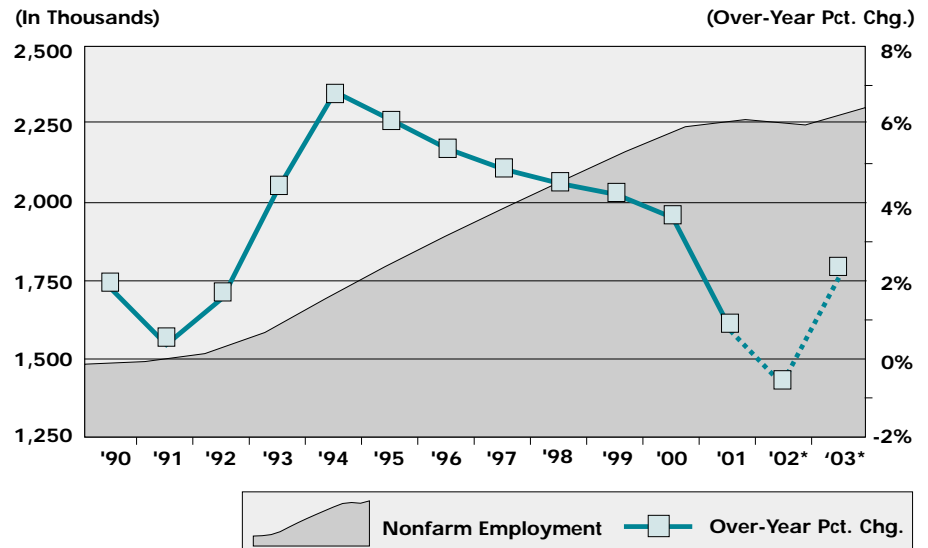
The service-producing industries will not be spared job losses in 2002, either. While Phoenix-Mesa's goods-producing industries have always lost jobs during recessions, its service-producing industries have often dodged over-the-year losses thanks to the MA's ever-growing population. The transportation, communications, and public utilities (TCPU) group will be hit especially hard, losing 5,800, or 6.7 percent, of its jobs. TCPU, which last saw losses in 1993, has been sent over the edge by lost airline travel, slowed tourism, and deregulation of communications and public utilities, along with reduced demand for telecommunications. RA expects TCPU to begin recovery in 2003, adding back 1,400 of its lost jobs.

While trade employment is expected to decrease in 2002, these losses will be tempered by rising demand from a growing population and completion of new retail outlets. Job losses in the trade group are expected to total 2,400, only a 0.6 percent decrease. The previous two times this group had an employment contraction in the Phoenix MA was during the 1991 recession and 16 years earlier in 1975. (In 1975, the Phoenix MA consisted only of Maricopa County.) All of 2002's lost trade jobs will be gained back in 2003, plus 4,700 more for a total gain of 7,100 jobs, or 1.9 percent growth.

Low interest rates will sustain the real estate and finance components of the FIRE group. Employment levels in FIRE are expected to remain unchanged in 2002, although 2003 will

Figure 9

Arizona Nonfarm Payroll Employment and Growth Rates, Actual (1990-2001) and Projected (2002-2003)



Source: Arizona Dept. of Economic Security, Research Administration, March 2002

Table 1

Arizona Nonfarm Payroll Employment Growth Rates, Actual (2001) and Projected (2002-2003)

(Annual Averages, in Thousands)

	2001	Growth Rate	2002	Growth Rate	2003	Growth Rate
Nonfarm Payroll^(a)	2,265.8	1.0%	2,248.7	-0.8%	2,304.1	2.5%
Goods-Producing	383.7	-0.8	366.4	-4.5	369.8	0.9
Manufacturing	209.6	-2.7	199.9	-4.6	203.2	1.6
Mining	9.5	-2.1	8.6	-10.0	8.2	-3.7
Construction	164.6	1.9	157.9	-4.1	158.4	0.3
Service-Producing	1,882.1	1.4	1,882.3	0.0	1,934.3	2.8
TCPU ^(b,c)	111.3	1.4	105.6	-5.1	107.6	1.9
Trade	533.3	1.2	531.9	-0.3	543.7	2.2
FIRE ^(d)	150.4	4.2	150.4	0.0	154.6	2.8
Services	710.6	0.3	706.6	-0.6	729.8	3.3
Government ^(c)	376.5	2.7	387.7	3.0	398.6	2.8

Notes: a) Totals may not add up exactly due to rounding
b) Transportation, Communications, and Public Utilities
c) For forecasting purposes, Salt River Project is included in TCPU instead of Government
d) Finance, Insurance, and Real Estate

Source: Arizona Dept. of Economic Security, Research Administration, March 2002

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bring 3,600 new jobs, a 2.9 percent gain. However, if inflation takes off and the Federal Reserve raises the federal funds and discount rates to combat it, these forecasts will require downward revision. Currently, there is a low probability of rising oil prices threatening to accelerate inflation. This threat could be exacerbated if the war against terrorism is stepped up to include invasion of one or more of the Middle East oil-exporting countries, which could reduce the flow of oil. A second potential cause of inflation would be from the federal government's policy of fiscal stimulus overheating the economy.

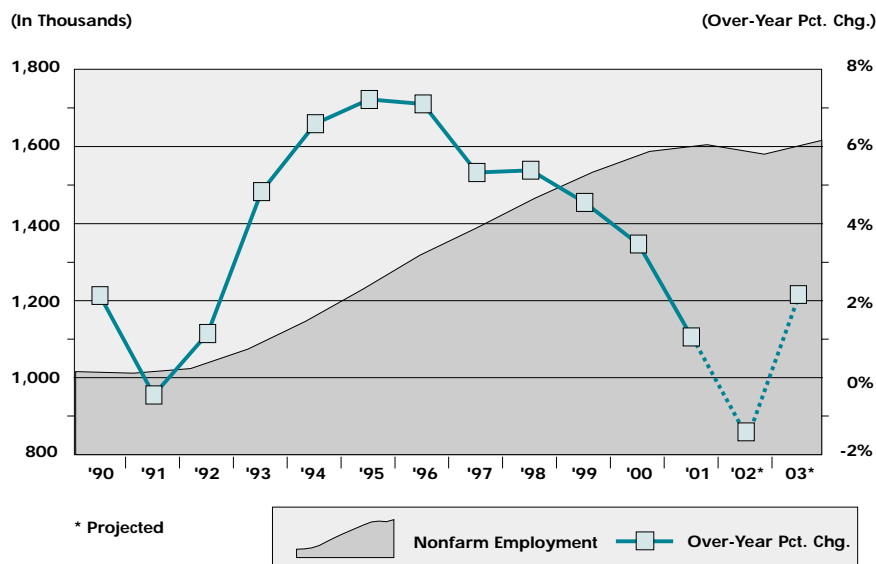
Declining tourism will drag down the services group of industries, especially in the hotels and other lodging sector. Tourism-related job losses are expected to spread to the business services sector, then be made worse by weakness in the rest of the economy. RA's forecast calls for services to lose 6,700 jobs in 2002, a 1.3 percent decline. It will be the largest percentage drop going back to 1950.

Because of increasing demand from an aging and growing population, unlike the rest of services, RA anticipates job gains in health services, thus slowing the rate of employment decline for the overall services industry group. By 2003, job growth is expected to return to services, which will bounce back with a gain of 16,300 jobs, or a 3.2 percent growth rate.

Government is the one industry expected to continue growing in 2002, despite the losses and stagnation in all other major industry groups. RA's forecast projects growth of 6,200 jobs, a 3.1 percent gain. Coincidentally, that is nearly the same number of jobs gained by government in the Phoenix-Mesa MA in the 1991 recession, although then it represented a 4.6 percent gain. The main reason for continued government growth then and now is population growth generating demand for more schools. Current budget pressures in state and

Figure 10

Phoenix-Mesa Metropolitan Area Nonfarm Payroll Employment and Growth Rates, Actual (1990-2001) and Projected (2002-2003)



Source: Arizona Dept. of Economic Security, Research Administration, March 2002

Table 2

Phoenix-Mesa Metropolitan Area Nonfarm Payroll Employment Growth Rates, Actual (2001) and Projected (2002-2003)

(Annual Averages, in Thousands)

	2001	Growth Rate	2002	Growth Rate	2003	Growth Rate
Nonfarm Payroll^(a)	1,595.5	1.1%	1,571.5	-1.5%	1,606.8	2.2%
Goods-Producing	282.6	-1.4	267.2	-5.5	268.1	0.3
Manufacturing	159.0	-4.1	149.8	-5.8	151.8	1.4
Mining	2.4	-4.0	2.3	-4.1	2.2	-3.5
Construction	121.2	2.4	115.1	-5.0	114.0	-0.9
Service-Producing	1,312.9	1.6	1,304.3	-0.7	1,338.7	2.6
TCPU ^(b,c)	86.9	1.9	81.1	-6.7	82.5	1.7
Trade	381.7	1.7	379.3	-0.6	386.5	1.9
FIRE ^(d)	126.4	4.5	126.4	0.0	130.1	2.9
Services	515.9	0.3	509.2	-1.3	525.5	3.2
Government ^(c,d)	202.0	3.2	208.2	3.1	214.1	2.8

Notes: a) Totals may not add exactly due to rounding
b) Transportation, Communications, and Public Utilities
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d) Finance, Insurance, and Real Estate

Source: Arizona Dept. of Economic Security, Research Administration, March 2002

local government are, however, casting a shadow of uncertainty on the exact amount of job growth.

Tucson MA

The 2001-2002 recession will be more benign to the Tucson MA than its bigger brother to the north. Although growth of nonfarm payroll jobs in 2002 will be slow (0.5 percent) relative to growth during the 1990s, at least it will not be negative, with RA projecting the Tucson MA will add 1,800 jobs. The Tucson MA will gain enough jobs in the service-producing industries (3,600) to more than counter the expected losses in the goods-producing industries (-1,800).

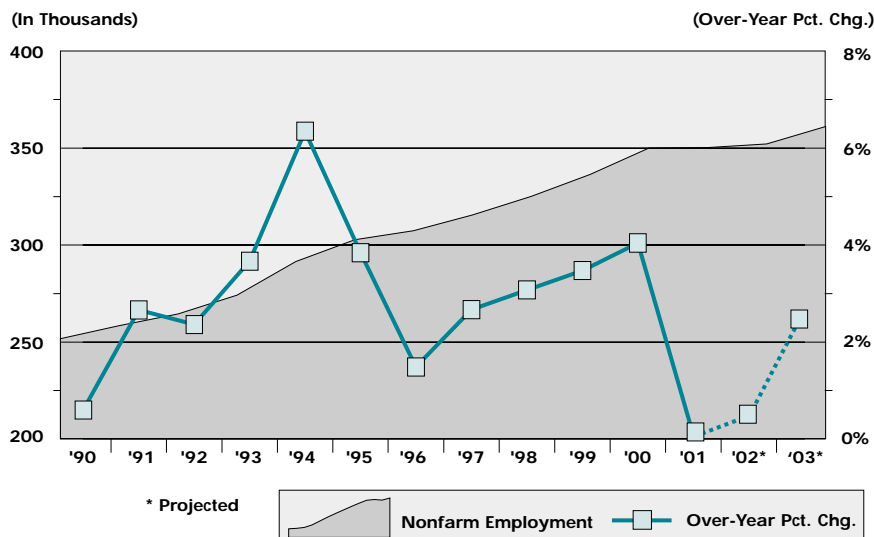
Tucson's largest losses (-900) will occur in the construction industry, although construction's rate of decline (4 percent) will about match the statewide rate (4.1 percent). Manufacturing will lose 600 jobs, a rate of decline (-1.7 percent) much slower than statewide (-4.6 percent).

Tucson will also lose 300 mining jobs, or 14.5 percent of mining's 2001 level of employment. Mining has been stagnant or declining since 1994, suffering from a combination of cyclical and structural factors. Current cyclical factors are soft demand and low prices for metal ores, including copper. Structurally, firms are relocating operations to foreign countries where operating costs are lower because of cheaper labor and richer ore deposits. For operations that remain in the U.S., the replacement of labor with machinery is boosting productivity while decreasing demand for labor, because fewer workers are needed to extract and process every ton of ore.

The service-producing industries in Tucson will see more than half their 2002 total growth in government (1,900 jobs). The next largest gain will come in services, which will add 1,100 jobs. Tucson trade will gain 400 jobs and TCPU, 100.

Figure 11

Tucson Metropolitan Area Nonfarm Payroll Employment and Growth Rates, Actual (1990-2001) and Projected (2002-2003)



Source: Arizona Dept. of Economic Security, Research Administration, March 2002

Table 3

Tucson Metropolitan Area Nonfarm Payroll Employment Growth Rates, Actual (2001) and Projected (2002- 2003)

(Annual Averages, in Thousands)

	2001	Growth Rate	2002	Growth Rate	2003	Growth Rate
Wage and Salary^(a)	350.3	0.1%	352.1	0.5%	361.1	2.6%
Goods-Producing	57.8	1.2	56.1	-3.0	56.9	1.6
Manufacturing	33.9	2.4	33.3	-1.7	34.2	2.8
Mining	1.9	0.0	1.6	-14.5	1.6	-2.9
Construction	22.0	-0.5	21.1	-4.0	21.1	0.0
Service-Producing	292.5	-0.1	296.0	1.2	304.2	2.8
TCPU ^(b)	11.7	-2.5	11.8	0.9	12.1	2.5
Trade	72.1	-1.0	72.5	0.5	74.4	2.7
FIRE ^(d)	14.8	2.8	14.8	0.0	15.1	1.9
Services	116.5	-0.8	117.6	1.0	120.9	2.8
Government	77.4	1.4	79.3	2.5	81.6	2.9

Notes: a) Totals may not add up exactly due to rounding
 b) Transportation, Communications, and Public Utilities
 d) Finance, Insurance, and Real Estate

Source: Arizona Dept. of Economic Security, Research Administration, March 2002

Overall employment growth in the Tucson MA is expected to pick up in 2003, with RA projecting a total of 9,000 new nonfarm payroll jobs.

Balance of State

While Arizona's 12 rural counties' combined job growth lagged well behind stellar growth of the Phoenix-Mesa MA during the '90's boom years, Balance of State (BOS) job growth will lead Arizona's three economic regions in 2002. Adding 5,200 nonfarm payroll jobs, BOS will grow at a 1.6 percent rate. Mining is the only industry expected to lose jobs in 2002, shaving 600 from the 2001 employment level.

BOS will also be the only region to gain employment in 2002 in the goods-producing industries, with the addition of 300 construction and 100 manufacturing jobs. BOS' greatest gains will still be in the service-producing industries, with government leading the pack with an increase of 3,100 jobs. Services and trade combined will add 2,200 jobs, and there will be no gain or loss by TCPU or FIRE.

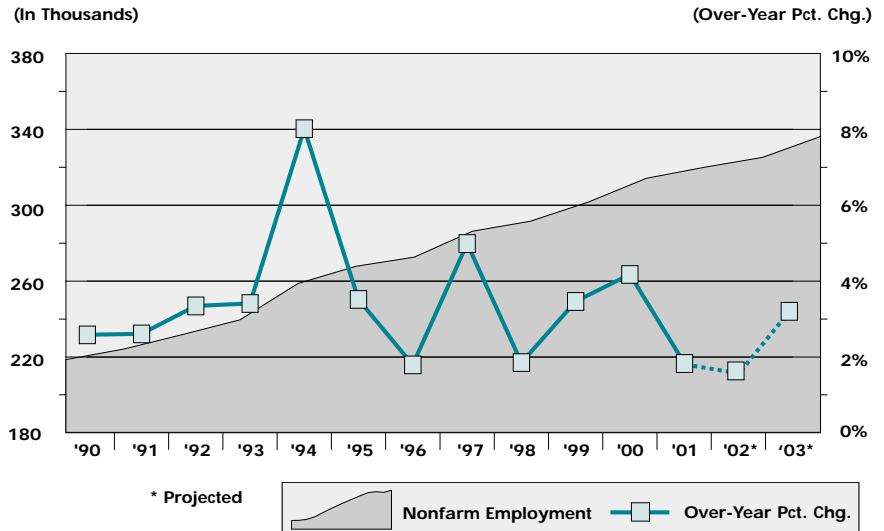
The rural counties' economic strength is expected to continue into 2003, with 11,000 additional nonfarm payroll jobs, or 3.4 percent growth.

Construction, services, and trade will benefit most by having the greatest increases in employment. Construction will add 1,500 jobs; trade, 2,700; and services, 3,500. Government growth will actually slow from 3.2 percent to 2.7 percent, with the addition of 2,700 jobs in 2003. **AET**

— Don Wehbey, Jack York,
and Ron Simon,
RA Economists

Figure 12

Balance of State Nonfarm Payroll Employment and Growth Rates, Actual (1990-2001) and Projected (2002-2003)



Source: Arizona Dept. of Economic Security, Research Administration, March 2002

Table 4

Balance of State Nonfarm Payroll Employment Growth Rates, Actual (2001) and Projected (2002-2003)

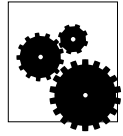
(Annual Averages, in Thousands)

	2001	Growth Rate	2002	Growth Rate	2002	Growth Rate
Wage and Salary^(a)	320.0	1.8	325.2	1.6%	336.2	3.4%
Goods-Producing	43.3	0.9	43.1	-0.4	44.7	3.6
Manufacturing	16.7	1.2	16.8	0.7	17.1	1.6
Mining	5.2	-1.9	4.6	-11.0	4.4	-4.2
Construction	21.4	1.4	21.7	1.4	23.2	6.9
Service-Producing	276.7	2.0	282.0	1.9	291.5	3.4
TCPU ^(b,c)	12.7	1.6	12.7	-0.4	13.0	2.8
Trade	79.5	1.1	80.1	0.8	82.8	3.3
FIRE ^(d)	9.2	2.2	9.2	-0.1	9.4	2.8
Services	78.2	2.0	79.8	2.1	83.3	4.3
Government ^(c)	97.1	2.8	100.2	3.2	102.9	2.7

Notes: a) Totals may not add up exactly due to rounding
 b) Transportation, Communications, and Public Utilities
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Source: Arizona Dept. of Economic Security, Research Administration, March 2002

Industry Update



Phoenix Metro Area

Manufacturing

The Phoenix-area's high-tech sector took another hit in early February when **Motorola and Honeywell announced additional cutbacks**. (Although not the case, it seems that Motorola has made layoff announcements almost weekly during the last several months.) The Schaumburg, Ill.-based company said that **500 non-manufacturing jobs** (e.g., finance, human resources, sales) would be **eliminated from its Valley semiconductor operations** as part of a worldwide cut of 9,400 positions. Motorola has cut more than 60,000 jobs worldwide in the past year, including several thousand in its Phoenix-area operations. **Honeywell**, on the other hand, will **eliminate an unspecified number of positions** at its **Phoenix-based engines and systems division**. About 1,500 positions in Honeywell's commercial aviation division in the northwest Valley were scheduled to be cut after an announcement last fall. Honeywell is the Valley's largest private employer, with 15,000 workers, while Motorola will employ about 10,000 locally after the latest cuts.

Honeywell, along with **several Valley companies**, however, will be **helped if Congress adopts** most of President Bush's **defense budget requests**. Honeywell's aerospace division should receive \$5 billion over the life of a planned new Joint Strike Fighter aircraft. The main contractor for the project will be Lockheed Martin Corp., but Honeywell will produce several aircraft components — oxygen systems, engine parts, and power-management systems. **Boeing Helicopters in Mesa**, which employs around 4,500, will also **benefit** from a five-year **program to build 269 Apache attack helicopters** for the U.S. military. And hundreds of jobs may be added at Gilbert-based **Spectrum-Astro** (see below), which makes low-orbit satellites, as part of \$7.8 billion that Bush has asked for to work on the **space-based missile-defense system**. **Other Valley companies** that also should **benefit** from increased defense spending are **Talley Defense Systems** in Mesa and **General Dynamics Corp.** in Scottsdale.

A Chandler company has taken the old "rags to riches" story a step further. Four-year-old **Bonded Logic** uses scraps of denim jeans to **make cotton-fiber insulation** called UltraTouch, which is cheaper and environmentally sounder than fiberglass-produced insulation products. Bonded Logic, which currently employs 40, plans on **building a 110,000-square-foot production facility** in Chandler and another facility in Cincinnati. No start dates were given.

The awarding of a multi-million dollar contract to **Orbital Sciences** to build rockets for the country's missile-defense system will **create up to 60 additional jobs** in the near term for Orbital's Chandler operations (3380 W. Price

Road). The Boeing contract, which could add up to nearly \$900 million over the next eight years, will **require more mechanical, electrical, and aerospace engineers** to design interceptor missiles used to knock down long-range nuclear warheads and other weapons of mass destruction. Since the Sept. 11th terrorist attacks, the United States has increased spending for a variety of defense projects, which have led to additional employment at a number of Valley companies. Dulles, Va.-based **Orbital** has **hired about 100 new employees** at its Chandler operations in 2002 in anticipation of winning the Boeing contract.

A **manufacturer of paper and plastic bags** has purchased an existing 60,000-square-foot building in Glendale (51st and Missouri avenues) for a production facility that will initially **create 75 jobs** and **potentially 100 additional jobs** within three years. Illinois-based **American Ad Bag** will invest \$3 million in the facility — which will also house administrative and warehouse operations — and pay an average wage of \$13 an hour. No date for the plant's opening has been announced.

The boom and bust of the telecommunications industry gave rise, then fall to an Hispanic-owned wire manufacturing company in Phoenix. **Corella Electric Wire and Cable Inc.**, a subsidiary of Corella Cos., lost its sole customer late last year and recently **laid off its 45 employees**. Corella was started in 1992 when AT&T helped set up a wire manufacturing operation in west Phoenix.

Alliant Techsystems' planned **purchase of Boeing's Mesa-based ordnance business** was **not expected to lead to any layoffs** of the approximately 50 Boeing workers. The Mesa operation produces cannons for ships, helicopters, and armored vehicles. Alliant, also known as ATK, is the largest supplier of tank ammunition for the U.S. military. ATK expects the two businesses to compliment each other, leading to expansion of the Edina, Minn.-based company, which currently employs 11,200.

Nearly a month after Northrop Grumman Corp. announced plans to purchase **TRW**, the Cleveland-based defense and automotive-part manufacturer said it will **divest** itself of its **auto unit**, including **two air-bag plants in Mesa**. If successful in landing TRW, Los Angeles-based Northrop Grumman had also pledged to sell off TRW's automotive businesses. TRW, whose air-bag plants employ about 1,700 people in the Valley, has rejected Northrop's stock buyout offer of \$47 a share. But Northrop said it still plans an attempt to acquire TRW.

The **state's** recent **attempt to attract the International Genomics Consortium** (see Statewide, below) appears to have gotten the attention of an **Israeli biomedical manufacturer**, which has **chosen Phoenix** over Chicago and Los Angeles for its **U.S. headquarters**. **Elcam Medical Inc.**, which makes plastic injected-molding parts for medi-

cal-device manufacturers, is trying to partner with U.S. drug and biotech companies to make products and spin off other businesses. No information was available on the number of current or potential jobs Elcam expects to create. For more information, see the company's web site: www.elcamplastic.com.

It might not be worth the time or money to sell a 486-based PC, but a **Casa Grande company** is turning "junk" into profits by **recycling parts from older computers** and monitors. Ten-year-old **Gold Circuit** — which takes apart PCs, monitors, and other communications equipment and resells their parts — has grown to 40 employees and **expects to add another 55 workers** within the next three years. Gold Circuit plans to finish **upgrading** a 73,000-square-foot **Casa Grande facility** with new processing and disposal equipment **by summer** of this year, plus **open** a new **83,000-square-foot corporate headquarters in Chandler** by the **end of 2005**.

Are you hungry for pasta or work? Then check out a \$45 million **pasta-producing plant under construction in Tolleson**, which is expected to be up and **running by the end of 2002**. Initially, **American Italian Pasta Co.** expects to **hire 40 to 50 production workers** to put out 100 million pounds of spaghetti, linguini, and ravioli, but the Kansas City-based company plans to eventually increase annual production to 300 million pounds. Pass the meatballs, please.

A little more than **100 jobs were saved** when an Irvine, Calif., company recently **purchased a health-supplements manufacturing plant** that was to be sold or shut down. New York-based **Twinlab Corp.**, which ran its Health Factors International Division at a Tempe facility, announced in March it was selling or closing the operation. **Anabolic Laboratories**, a 78-year-old maker of vitamins and health supplements, agreed to **purchase the operation** and retain all of the employees.

Construction

A version of Sun City is coming to the east side of the Valley. **Del Web**, builder of numerous Sun City retirement communities across the country, is planning a **Sun City-type community** in Chandler, near Gilbert and Riggs roads. Smaller in scale, **Solera** will feature **1,200 homes** on 606 acres priced from \$120,000 to \$220,000. Phoenix-based Del Webb is a subsidiary of Michigan-based Pulte Homes Inc.

Although experiencing a downturn in 2002, Phoenix-based **Weitz Co.** sees **good times ahead** for the local and state construction industry. Having just completed the 80-store Gateway Mall in Prescott (see "Balance of State," below), Weitz has lined up **\$200 million in projects** (a yearly record) **for 2003**, including a \$70 million residential and golf development in Sedona. Weitz was hurt, however, by the economic downturn and the Sept. 11th terrorist attacks, losing \$50 million in contracts, including the renovation and expansion of Terminal Four at Sky Harbor International Airport.

One project apparently not affected by the slump is **Del Webb's Anthem community** at the northern edge of the Valley. In three years the master-planned development, which features single-family homes ranging from the low \$100,000s to \$500,000, has **sold one-third of its planned 12,000 housing units**. Anthem is the first Del Webb community targeted to all age ranges, not just retirees.

Work is progressing smoothly on a mix of **sports, recreation, and government projects** in the northwest Valley **city of Surprise** that combined total more than \$100 million. At the heart of the development is a **\$48 million Cactus League stadium** for the Texas Rangers and Kansas City Royals (also see "Miscellaneous" in State-wide below). The 10,500-seat stadium, which will be available for other uses, will be completed late this year. In addition, to the east of the stadium, Surprise is building an **aquatics center**, a county library branch, **municipal courts and public safety buildings**, a 58-acre park with a 5-acre lake, an elementary school, and several other civic projects. A 20-year commercial-development phase is also expected to get under way in 2003, with a hotel at the top of the list of projects.

The lure of getting more for your money has jump-started sales of homes in the **Rancho El Dorado** development **near the town of Maricopa** (just inside the Pinal County line off of State Road 347). In the **first three months** since opening a sales office, **nearly 400 houses** were sold in the 1,620-acre community that will **eventually feature 5,500 homes** and an 18-hole golf course. Prices of homes in Rancho El Dorado, which is about 30 miles south of downtown Phoenix, range from \$90,000 to \$250,000.

After several years of delays due to fights with Scottsdale city officials and sorting out details with the city of Glendale, in early April the first shovel of **dirt was turned** for a **Phoenix Coyotes hockey arena**. Coyotes owner and developer Steve Ellman plans to **build a \$180 million, 17,500-seat facility**, financed by the city of Glendale, and **develop 6 million square feet of mixed-use space** on 223 acres at Loop 101 and Glendale Road. Ellman was lured to the west side of the Valley when Scottsdale officials sought information about the developer's financial condition. Voters of Scottsdale approved an arena and retail/office development at McDowell and Scottsdale roads, but Ellman flew the coop when two years of wrangling failed to forge a compromise (see related story in "Trade," below).

Banner Health Systems has chosen **DPR Construction Inc.** to **build a full-service acute-care medical complex in west Phoenix** at Loop 101 and Thomas Road. Work on the health facilities is expected to begin in early 2003, with the medical offices **opening in late 2003**, followed by the **acute-care center in late 2004**.

Transportation, Communications, and Public Utilities

The **Phoenix metro area** will likely be the **major bene-**

ficiary of 4,000 workers that Southwest Airlines plans to hire this year. Dallas-based Southwest, which is the only major U.S. airline currently making money, said in mid-February it would **hire 250 pilots, 1,200 flight attendants, and 2,600 other workers.** The airline said that the hiring would occur across all 59 airports it serves and nine reservation centers, with particular emphasis on operations in Baltimore, Oakland, Calif., and Chicago. However, the Valley is Southwest's largest market and the airline operates a maintenance facility at Phoenix Sky Harbor International Airport.

DHL Worldwide Express, an international shipping company, will **make Scottsdale** home to **one** of its **three operations hubs**, bringing **350 high-paying jobs** to the Valley, with about one-third of the workers expected to be hired from the Phoenix area. DHL, which employs 70,000 in 228 countries, has operations centers in London and Malaysia, but **Scottsdale's facility** will also **run all of DHL's worldwide communications.** DHL expects to **open** the 106,000-square-foot **facility** at the **Koll Perimeter Center** (Loop 101 and Princess Drive) as **early as June**, but no later than September.

A **second round of cuts** were made at an **AT&T customer-service facility in Mesa** (7300 E. Hampton Ave.) that handles requests by businesses for local telephone service. Following about **20 layoffs** at the center in **January**, an additional **66 job cuts** were announced in **early February** as part of a company-wide plans to eliminate 5,000 jobs this year. About **130 workers** were **expected to remain** at the site when the layoffs were complete at the end of February.

Tempe-based **America West Airlines** recalled slightly more than **200 employees** — 170 flight attendants and 38 pilots — **in mid-March**, signaling that the Valley's (and nation's) economy is on the mend. Shortly after the September 11th terrorist events, America West laid off nearly 20 percent of its workforce, or 2,000 employees. But with the current callback, the airline has now rehired three-quarters of those furloughed workers.

In late March, a **regional package-delivery company** based in Phoenix **doubled** its **operating space** when it opened a new 10,500-square-foot Valley facility (3618 E. Southern Avenue). **California Overnight**, which services companies in Arizona, Nevada, and California, is a 10-year-old private company. No information was available on the employment effect of the new center.

Hoping to cash in on a niche market, **Hawaiian Airlines** will **start daily non-stop service between Phoenix and Honolulu in October.** The Honolulu-based carrier estimates that 70,000 Arizonans travel to Hawaii annually. The only other airline serving that route, American Trans Air, flies only twice a week. Recreational air travel, including to Hawaii, has been steadily improving since Sept. 11, but the overall industry is still weak.

Finance, Insurance, and Real Estate

In early February, **federal regulators shut down** Phoe-

nix-based **NextBank**, whose core business was **issuing credit cards over the Internet.** The bank, which was owned by struggling online credit card pioneer NextCard Inc. of San Francisco, was put up for sale in October. And in late January, NextBank announced that it would lay off 170 employees.

A **home-loan telemarketing company** based in South Carolina has **opened a call center in Tempe** to service its clients. **HomeGold Financial Inc.**, which also has a mortgage loan-origination facility in Tempe, has two other call centers in its home state and numerous mortgage loan facilities around the country. No information was available on the number of employees HomeGold expected to hire in Tempe.

Due to consolidation plans, **Bank One closed a business loan customer-service division in Mesa March 1.** As of late January, about one third of the center's 75 employees had found work in other divisions of Bank One in Arizona. The center's operations will be consolidated at operations in Lexington, Ky., and Fort Worth, Texas.

The **Valley's commercial and industrial real estate markets remain weak**, according to several industry analysts. Both **office and warehouse vacancy rates** are **expected to rise in 2002** to their **highest levels since 1993.** Nearly **2 million square feet of new office space was recently completed or is under construction**, translating into higher vacancy rates (about 17 percent) this year, according to CB Richard Ellis. On the other hand, the retail and housing markets continue to remain strong, despite some slowing in the past six months. Vacancy rates at shopping centers are expected to be in the 7 percent range in 2002.

USAA, a national insurer and financial services company for active and retired military personnel, hopes to **make up in hiring in the Valley this year** for what it planned to do in 2001. The San Antonio-based company, which opened a regional headquarters in north Phoenix (I-17 and Happy Valley Road) last June, expects to **add 400 jobs in 2002** — including billing and customer-service positions — to its current workforce of 500. USAA had originally planned to add more jobs in 2001, but will make up for it by doubling the number of jobs it had planned to create this year. All of the Phoenix job growth has occurred despite the elimination of 1,300 jobs company-wide last year due to restructuring. Over the next decade, USAA projects that its Phoenix regional campus will employ more than 15,000 workers.

As evidenced by the Valley's strong housing market, Texas-based **Colonial National Mortgage** and Phoenix-based **Capital Title Group Inc.** have **opened new branches** in the Phoenix metro area. Capital Title will locate its 36th branch overall in Arizona in Chandler, while Colonial is opening its first office in the state in central Phoenix.

Dallas-based **UICI** has **bought** Arizona's **second-largest Hispanic-owned business**, Phoenix-based **STAR Human**

Resources Group, for \$25 million. Started in 1989, STAR primarily sold health insurance policies to its 550 corporate clients, which included 28 Fortune 500 companies.

Despite one of the worst stock markets in recent history, **Edward Jones** still plans to **hire 200 employees this year** at its **regional headquarters at Arizona State University Research Park in Tempe**. The St. Louis-based brokerage firm currently employs 125 workers at one of three office buildings it expects to build at Price and Elliot roads. Among **areas** where Jones plans to **add positions** are **call and operations support, information technology, and training**. Annual pay for these jobs will range between \$20,000 and \$40,000, the company said.

Trade

Gilbert Town Square, a 66-acre **commercial and government development** near Gilbert and Warner roads, has **signed 11 restaurants and retail stores** to leases. **Phase one** of the project, expected to be completed in 2005, will include a **14-screen movie theater** (already open) **boutiques, restaurants and retail shops**. Next to open will be a Mongolian Grill, Streamer's Café, and International House of Pancakes. **Developer Triple Five Group** also **plans several city government buildings**, a 250,000-square-foot office complex, and a **150-room hotel**.

A 178,000-square-foot **Lowe's Home Improvement** store will **anchor a 65-acre commercial and retail center** at **Interstate 10 and Dysart Road**, about 15 miles west of downtown Phoenix. **Palm Valley Cornerstone** will encompass 522,000 square feet of space, consisting of **restaurants, banks, retail shops and offices**, a convenience store/gas station, and a hotel. **SunCor Development Co.**, which expects the Lowe's center to open in late 2002, is considering building two other similar projects on Dysart Road over the next several years.

Scottsdale has **turned down a plan** by developer Steve Ellman to **build a retail complex** — which includes a Wal-Mart Supercenter, Sam's Club, and Lowe's Home Improvement Warehouse — **on land formerly occupied by the Los Arcos Mall** at McDowell and Scottsdale roads. The major stumbling block was a request for a \$42 million subsidy by Ellman, who originally had planned to build a sports arena on the property for the Phoenix Coyotes before making a deal with the city of Glendale last year.

For a variety of reasons — slow economy, bankruptcy, end of leases, moves within mall — **Scottsdale Fashion Square** finds itself with **16 empty storefronts**. The high-end Westcor-owned mall near Scottsdale and Camelback roads has **lost tenants** that include **Sears, FAO Schwarz, and Liz Claiborne**, but has also picked up retailers such as Eddie Bauer Home and Macy's. Overall, Scottsdale Fashion Square is currently 90 percent full, which is in line with what is considered a "healthy" occupancy rate.

Michigan-based **Domino's Pizza** has **purchased 82 franchised stores** in the **Phoenix metro area** from **Sierra-Sonora Enterprises**. The move, which will not

likely affect employment locally, will increase the number of stores owned and operated by Domino's to 602, out of a total of 7,000 stores worldwide.

Developer DMB has **begun work** on the first of an expected **five-dealership auto mall** at **U.S. 60 and Superstition Springs Boulevard in Mesa**. DMB's **first project, expected to open in spring 2003**, will be a 38,000-square-foot **Nissan franchise** owned by **Earnhardt's Auto Centers**, the company's 12th dealership. DMB estimates the project will be complete in three years, with the **five dealers employing 800 workers** with an average wage of \$45,000.

The (Phoenix) Business Journal reported that **Kohl's**, a national department store chain based in Wisconsin, will **open the first of 10 stores in the Valley near the Scottsdale Airpark in late 2003**. Kohl's, with nearly 400 stores in 30 states, sells a medium-priced line of clothes and home goods.

A fight is brewing between Scottsdale and Phoenix over landing a **high-end shopping complex near Loop 101 and Scottsdale Road**. The state Land Department was expected to announce in early April how it believes 2,000 state-owned acres (which it will lease) should be developed. Land in Phoenix or Scottsdale (on either side of Scottsdale Road) could become home to the upscale shopping complex, which is expected to generate \$170 million in sales tax revenue over 20 years. Nearly 300,000 people with an average income of \$95,000 will move into the surrounding area over the next several years.

A plan to build **three performing arts facilities** is the latest idea for **redeveloping downtown Scottsdale near the Arizona Canal**. The \$135 million project — which would include an **1,800-seat theater, a 350-seat theater, and a third theater with flexible seating for up to 300 people** — would be the third major proposal for land near Scottsdale Road and Goldwater Boulevard. Complaints about high costs and density, along with funding problems, sank two other proposals over the last several years.

Ford Motor Co. has agreed to **invest \$1 million** over five years to develop an **undergraduate program for automobile dealership management** at **Arizona State University's College of Business**, as well as a **five-year postgraduate program for minorities** in auto dealer education. A one-of-a-kind program, Ford is attempting to lure more minorities into managing dealerships. About 7 percent of the car company's dealerships are run by minorities. The undergraduate program, however, will be open to all students.

Two restaurant chains (one Valley based) have **major plans for growth** in the Phoenix metro area and beyond. **P.F. Chang's of Scottsdale**, which recently reported strong quarterly earnings, said it will **open** its first **west Valley China Bistro restaurant** (Peoria) and **two Pei Wei Asian Diners** in the east Valley (Gilbert, Fountain Hills) as part of nationwide expansion plans to add 20 locations by year's

end. There are currently 67 China Bistro and seven Pei Wei restaurants nationally. Atlanta-based **Chick-fil-A** expects to compliment its Valley mall locations with **12 to 15 free-standing locations** in the Phoenix metro area over the next couple of years as part of a national expansion of 80 restaurants. The 56-year-old Chick-fil-A is unusual among restaurant chains in that it is closed on Sunday.

Continuing to reel from the high-tech slump, Tempe-based **Avnet Enterprise Solutions** will **cut 160 jobs nationally**, of which **25 will come from Valley operations**. A division of Phoenix-based Avnet Inc., one of the world's largest suppliers of electronic and computer parts, Avnet Enterprise Solutions provides systems integration for Avnet's Computer Marketing Group.

Services

IBM has **selected Phoenix** as **one of five worldwide Globe Data Centers for Nestle Corp.** Currently, the Swiss-based food and beverage manufacturer, with 237,000 employees and \$50 billion in annual revenue, has electronic data operations in more than 100 sites. IBM received a \$500 million contract to run the data centers, which will provide a variety of services, such as electronic commerce, sales and business operations, and information technology planning. No information was available on the number of jobs the Phoenix data center will create.

An **India-owned conglomerate** will **bring a call center and back-office support operation** to the **Tempe Tech Center** (4501 S. 52nd St.) that will initially **employ 250 workers**, with a **potential to expand to 450 workers** within three years. **Essar Group**, a \$4 billion company that has interests in steel, shipping, oil and gas, and communications, bought a bankrupt Texas-based telecommunications company in 2000 and renamed it e-TeleQuest. Average salary for workers at e-TeleQuest's operation are projected at \$34,000 a year, a city of Tempe economic development official said.

A **Tempe-based dot-com company**, which is down to a handful of employees, will **sell its assets** to another company **or close up shop**. **NeoPlanet**, which made special effects "skins" for Internet browsers, at one time employed more than 100 people after it moved to Arizona from New York City in 2000. It's only remaining paying customer for its browser software, Viassary, is Compaq Computer.

Although the hotel business is hurting now, Dallas-based **Pegasus Solutions** is looking for maximum growth in the future with **construction of a three-story, 140,000-square-foot office building in north Scottsdale**. The hotel reservation-processing company will **relocate its 600 Valley employees** into one central location near Loop 101 and Frank Lloyd Wright Boulevard by the **end of 2002**. Initially, Pegasus doesn't expect many new call-center positions (the bulk of its jobs) due to the current weakness in travel, but there should be **openings in high-tech areas** related to a new Internet reservation system the company will operate for several hotel chains.

Phoenix will be among several cities with **CheckFree Corp. operations** expected to **lose employees** as part of a **layoff of 450 workers** by the electronic bill-payment company. The Norcross, Ga.-based Internet business, which has 5.9 million customers, is eliminating 300 positions by closing two offices in Texas (150 jobs), and reducing workforces at four remaining operations in Phoenix, Atlanta, Chicago, and Dublin, Ohio.

Start-up company **Cinemas Millennium** was expected to **open** in mid-April the **first of several movie theaters aimed at the Valley's burgeoning Hispanic market**. The Phoenix-based business will open a multiplex theater (formerly operated by United Artists) at the East Valley Mall in Chandler (Arizona Avenue and Warner Road), then two more theaters in the west Valley later this year. Further down the road, Cinemas Millennium, which will show Spanish-language movies with English subtitles and vice versa, wants to expand into four other southwestern states.

Government

The **Tempe Police Department** is **looking** for "**a few good women.**" The city recently held a job expo for potential recruits to increase the percentage of females on its 337-member force (currently around 14 percent). Among **positions needed** to be filled by women are **patrol and traffic officers, homicide detectives, and SWAT and undercover officers.**

Believing (maybe falsely) that government jobs bring a measure of security in times of uncertainty (also see Tucson Metro Area, below), **job applications at Valley cities have doubled** (and in some cases, tripled) in the last year. The city of Phoenix reported that 243 job openings in the fourth quarter of 2001 attracted more than 12,600 applications, compared to 6,800 replies to 271 jobs in the fourth quarter of 2000. While a \$30,000 customer-service position in Chandler drew 350 applications this past winter, a year earlier it might have received 100 responses, a city official said. Of course, a 20 percent increase in the Valley and state's unemployment rates the past year would also account for the higher number of city employment applications.

The **city of Glendale** expects to **add about a dozen positions**, costing \$3 million over the next three years, to **keep the Phoenix Coyotes arena project on schedule**. Most of the positions will involve building and fire inspection of the \$180 million arena that is scheduled for completion in late 2003.

Tucson Metro Area

Manufacturing

Like its namesake, a producer of weight-reducing drinks is wasting no time in getting its manufacturing operation at a new Tucson plant up and running. **Slim-Fast**, which started building last fall, expects to **open the \$100 million milk-shake facility by July, employing about 200 people**. The company's second manufacturing plant, Slim-Fast received a number of tax incentives — including credits

from a federal Empowerment Zone program — to build the plant on 85 acres at Interstate 10 and Rita Road.

Due to the economic slowdown (and particularly, cut-backs by a local manufacturer), **Pima Community College** has **suspended** a popular **program** that taught **aircraft-interior installation**. About 60 students a year have graduated from the four-month program with nearly a 100 percent placement rate. But none of the 30 most recent graduates were able to find employment, primarily because of the slowdown in the aircraft manufacturing industry, including the delay in introduction of a new business jet by local manufacturer Bombardier Aerospace. On the other hand, a nine-month structural-repair program at Pima Community College continues to operate, but graduates must look out of state for most job opportunities.

Defense manufacturer **Raytheon Co.**, which employs more than 10,000 workers in Tucson, is **targeting** about 15 percent of the **\$67 billion budgeted for homeland security** as areas of potential business. Areas that Massachusetts-based Raytheon is interested in include **airport security** (e.g., baggage screening equipment), **communications** used by disaster respondents (e.g., fire departments), **computer security**, and **border patrol**. As would be expected, the company didn't announce any estimated employment growth from potential homeland defense projects because it's too early in the process.

Although no additional employment is expected in the near-term at their Tucson operations, two high-tech companies recently announced some positive news. **Texas Instruments**, the largest computer chip producer in the metro area, has seen **increased demand** for its **chips used in airport scanning equipment**. Designed and developed at the Tucson facility, the TI circuitry has been around since the mid-1980s as part of tomography (CT) scanners used in the medical field. Although the chips no longer are produced in Tucson, expect TI's overall business to increase as the federal government recently awarded a \$400 million contract for airport scanners, which will eventually be installed in the country's 100 largest airports. ... **IBM's Storage Systems Division** in Tucson, which employs around 1,600 people, has agreed to a **multi-year business alliance with Hitachi Ltd.** of Japan to shorten the time to get the **next generation of storage devices** (e.g., hard disks) to consumers. Using the new open standards-based technology, the companies expect to jointly produce hard drives by combining their research and development, manufacturing, and sales and marketing operations. IBM was unable to say how the alliance might eventually affect employment at its Tucson operations.

After six years and \$40 million of research, a **start-up Tucson business** expects to begin **producing** a lighter, thinner **solar-array panel for the commercial market** by the end of 2002. **Global Solar Energy Inc.**, which was partially funded by Tucson Electric Power Co., said its **workforce may double to 150** when it goes into full production later this year or early in 2003. Currently being

tested by the military, the electricity-producing, photovoltaic solar device could have applications across many industries, including being used by electric companies to produce solar power, the company said. More information is available at the manufacturer's Internet site: www.globalsolar.com.

More than **20 high-paying jobs** (\$50,000 and above) will be created when a Pittsburgh, Pa., **anti-cancer drug maker moves its headquarters and research operations to Tucson**. Six-year-old **ProlX Pharmaceuticals** chose the area because it shares a \$6 million research grant with the University of Arizona Health Sciences Center, a leader in the cancer-research field. The move also bodes well for Tucson's burgeoning biotech industry, Tucson Mayor Bob Walkup said.

Construction

After reaching a nearly unanimous compromise between a developer and environmentalists, the **Pima County Board of Supervisors** unanimously **approved** a plan in early April to allow **1,200 to 1,300 homes** on 1,600 acres of land in the **foothills of the Santa Rita Mountains**. A county Planning and Zoning Commission had given its blessing a month earlier to a plan that tripled the number of homes allowed on the acreage, causing environmental groups to mobilize out of fear the development would destroy parts of the natural habitat. **Developer Alex Argueta** agreed to leave 1,100 acres of open space — 10 additional acres than previously planned for a potential equestrian center — and protect the endangered Pima pineapple cactus. Argueta also plans to **build a 20-acre shopping village**, which will include restaurants, cafes, bakeries, and other shops.

Work officially began in mid-April on **\$84 million in building projects** at the **University of Arizona**. Among the projects are: **two dormitory buildings** — one opening in summer 2003 and the other in summer 2004 — that will house 770 students at Highland and Sixth; an \$18 million **office building and garage**, directly west of the dormitories, set for completion in February 2003; and a \$19 million **health service facility**, directly north of the dormitories, expected to open in fall 2003. Although going through tough budget times, UofA is able to pay for the three projects by issuing 20-year bonds.

Trade

The intersection of Irvington and Campbell is already busy with a Fry's Kino Gateway Center that opened two years ago on the northeast corner, but more is still to come. **Four restaurants** and an additional **11,000 square feet of retail space** are under construction and will **open this summer** as part of the **second phase** of the **Fry's Kino development**. Also, a **Walgreen's drug store** is **under construction** on the southwest corner. Plus, about one-quarter mile to the north, at the triangle intersection of Irvington, Campbell, and Benson Highway, the **Monterey Water Co.** plans to **build a business park**, and **U.S. Homes** is planning a **750-home subdivision** on nearby land.

“ ‘This is as strong as it gets,’ ” an elated official from **El Con Mall** was quoted in the *Tucson Citizen*, when it was announced that the shopping center was one of **two locations** — the other is Tucson Mall — selected by **Krispy Kreme franchisee Rigel Corp.** for **new doughnut stores**. The 60-year-old Winston Salem, N.C.-based chain, which has several retail stores in the Phoenix area, is an icon to doughnut aficionados. Expect the Krispy Kreme stores, which will **employ about 100 workers each**, to open by the end of the year.

A Krispy Kreme store will not be opening at the new **La Cholla Plaza** (West Orange Grove Road and North La Cholla Boulevard). But a 55,000-square-foot **Food4Less warehouse-style grocery store** — featuring a deli and bakery (serving doughnuts) — will anchor the center when it opens in the next few months. The shopping development will also feature **11,000 square feet of retail stores**, restaurants, and other shops.

The **sale of Foothills Mall** (West Ina Road and North La Cholla Boulevard), which was converted into an outlet center in 1998, is expected to **lead to a half-dozen new stores**, including a **third department store**. **Feldman Equities of Arizona** purchased the 20-year-old mall in late March from Hillwood Development Corp., a Dallas-based group headed by Ross Perot Jr. The 450,000-square-foot Foothills Mall features about 75 stores, including a Saks Off Fifth Avenue, Barnes & Noble, and Ross Dress for Less.

Budget Car and Truck Sales and **Daewoo of Tucson** have **broken ground** on a **26,000-square-foot store** at the **Tucson Auto Mall** (767 W. Wetmore) that will feature auto sales, service, parts, and rental. Scheduled to open in August, the store will be Budget's fourth and largest car sales location in Tucson.

Services

Call center **APAC Customer Services Inc.** is **adding 250 customer-service representatives** and 15 supervisors to handle a contract it was recently awarded by Washington Mutual Inc., the country's largest home mortgage originator. The additional jobs, which will be located in a new 63,000-square-foot facility (1650 S. Research Loop), will bring Illinois-based APAC's workforce to about 700 in Tucson. Starting pay for customer-service workers will be \$8 an hour.

Government

The **University of Arizona** let go **nearly 130 workers** as part of a 4.5 percent **budget cut** (\$16 million) mandated by the state Legislature to help balance the fiscal 2002-'03 budget. The cuts included 72 full-time workers under the provost's office and the vice president of business affairs. **Fifty-six part-time professors also lost their jobs**. Despite the layoff of teaching personnel due to a state budget shortfall, the **University of Arizona** still must **fill critical positions**. In fact, UofA plans to **hire several hundred workers** in areas such as **police, custodial, maintenance, and engineering**. Besides being tagged as “critical,” these

positions can be filled because they will be funded from sources other than the state general fund, such as through sales tax revenue or grants.

To improve patient care, decrease turnover, and increase its nurse-to-patient ratio (1 nurse per 4 patients), **University Medical Center (UMC)** is **hiring 65 additional nurses**. UMC, which increased nursing pay by \$2 an hour in December, said it needs to have the highest nurse-to-patient ratio in the state because the medical center deals with patients with complicated issues (e.g., heart transplants). UMC expects to hire many of its new nurses from outside the metro area and state.

A number of **Tucson-area public-sector positions** are **in jeopardy** due to declining tax revenue. Recently announcing cutbacks were the **city of Tucson, Pima County**, and the **Tucson Unified School District**. However, **only the school district**, which is considering contracting out food service and maintenance operations, **expects layoffs** at the present time. The city plans to eliminate about 100 positions, but expects to avoid layoffs through turnover and by transferring affected employees in areas (such as waste management) to vacant jobs. The county also wants to transfer 70 soon-to-be laid-off child-support workers into vacancies, but may not be able to accomplish the task before funding for their current jobs ends June 30.

Miscellaneous

The Tucson metro area's economic development efforts received a shot in the arm when the **U.S. Department of Housing and Urban Development (HUD)** selected the area as an **“Empowerment Zone.”** The designation, one of just eight nationally, allows businesses that are expanding or relocating to the area to apply for \$17 million in federal tax credits. **Businesses** within the zone — which primarily surrounds an area bordered by Prince, Irvington, and Campbell roads and Interstate 10 — can **receive up to \$3,000 in tax credits for each employee it hires** for up to 10 years. For example, **Broadband Laboratories** (1300 S. Park Ave.) said the tax credits could help it **triple its current workforce of 30** within a few years. In addition, the empowerment designation could help bring up to \$230 million in tax incentives for businesses associated with Tucson's downtown redevelopment project, Rio Nuevo. The planned development includes a sea aquarium, a hotel, and a conference center linked to the Tucson Convention Center. For more details on the Empowerment Zone program, go to the following HUD web site (www.hud.gov/economicdevelopment/index.cfm).

Balance of State

Manufacturing

The world's largest **producer** of natural **Beefstake tomatoes** will **expand** its existing **greenhouse operation** in **southeast Arizona** and open a renovated hydroponic facility in Snowflake that combined will **hire between 80 and 100 additional employees**. Bonita-based

Eurofresh, which currently employs about 500, will have **160 acres of greenhouse-grown tomatoes** when the **expansion is complete in December 2002**. Starting pay at Eurofresh's operations is \$6.15 an hour, with a potential to make \$400 a week through base pay and production incentives, the company said.

Mining

Contrary to the mostly negative news coming from the mining industry, **Phelps Dodge Corp.** said it will **build a \$40 million copper concentrate leaching operation** at its **Bagdad mine** about **60 miles southeast of Kingman**. Expected to **begin operation in 2003**, the project is being **co-developed** with Canadian gold mining company **Placer Dome**. The two companies signed an agreement last October to develop technology to find new methods of extracting copper, gold, silver, and other metals. No information on the project's potential for jobs is known at this time.

Construction

The city of **Prescott** has been on a **growth tear** the past few years the likes of which haven't been seen since the Gold Rush days of the 1870s. Even excluding the recently completed 650,000-square-foot Gateway Mall (see related story in "Phoenix Metro Area," above), **building activity** has been **astronomically high (2.4 million square feet)**, with 10 permits issued for warehouses and manufacturing facilities at an industrial park near the city's airport. Prescott economic development officials were also able to keep two auto dealerships from leaving the city for larger sites, while work on **redeveloping Ponderosa Plaza** — home to Sears and Penney's before the stores moved to Gateway Mall — will **get under way this summer** and lead to **300,000 square feet of retail space**. Even 11 vacant buildings in the downtown area — some of which will be renovated — are expected to attract new tenants, officials say.

Developers of a planned **RV resort** in the northern part of **Lake Havasu City** want to more than **double** the number of **mobile homes** allowed under currently approved zoning. **Edgewater Development Inc.** wants to **build 406 RV spaces**, instead of the currently allowed 180, as part of a 37.5-acre **Havasu RV Resort & Spa**. Edgewater also plans a tennis court, clubhouse, pool/spa, and "pitch and putt" golf course. If approved, work on the development would begin this winter, the developer said.

Transportation, Communications, and Public Utilities

Continuing transmission problems (partly due to sandstorms) and Yuma's growing population led El Centro, Calif., **television station KECY** to **move 60 miles east to Arizona** in April. An affiliate of Fox, WB, and the Telemundo networks, KECY will **bring about 20 technical, sales, and administrative employees** with it. The station is owned by Palm Springs, Calif.-based **Gulf California Broadcasting Co.**, which also owns stations in Sedona, Flagstaff, and Lake Havasu City.

After recently striking down two proposed power plants at

environmentally sensitive sites (see below), the **Arizona Corporation Commission (ACC)** approved two others. The ACC signed off on a 1,000-megawatt, natural-gas **power station in Bowie**, about 100 miles east of Tucson near Interstate 10. The project, which will be built in two phases, is expected to **create 400 jobs during** its two years of **construction**, then bring nearly **50 full-time jobs** when completed **in 2005**. Phoenix-based **SouthWestern Power Group II LLC**, which will develop and operate the facility designed to bring power to 250,000 homes, had a proposed 1,800-megawatt power plant in Eloy turned down by the commission in late January. ... Also, the ACC approved a 1,080-megawatt **power plant in eastern La Paz County near Interstate 10** that will **create several hundred jobs** during the **construction phase** and about **25 full-time positions** when **complete by 2005**. Expected to begin construction later this year, **Allegheny Energy Inc.** will build the \$540 million, natural gas-fired plant, which will primarily provide electricity to California. The Commission **required** that the **project developer establish a program** with a local community college, labor union, or contractor to **fill skilled positions** for the **construction, operation, and management** of the power plant. The power plant was the 15th approved by the ACC since 1998. ... The **ACC** unanimously voted to **deny** a permit for a **1,800-megawatt power plant in Eloy** in late January. The commission cited a **lack of need** for the **Toltec Power Station** and environmental concerns for the nearby Picacho Peak State Park. It's the second permit denied by the commission for a power plant in the last few months. In November, the ACC said a **plant near Wikieup**, about 50 miles southeast of Kingman, also **posed environmental concerns** and was not needed.

More than **300 jobs** at a **Laughlin power plant** — and more than \$300 million in economic activity — **could be in jeopardy if major disputes are not settled** over the next several years. The 1,570-megawatt **Mohave Generating Station**, which supplies power to 1.5 million homes, could be shut down if it is unable to secure adequate supplies of water and coal used to generate energy, as well as fails to install pollution-control equipment. The power plant currently receives water and coal from the Navajo and Hopi Indian reservations that is pumped across Arizona through a 273-mile pipeline. But the Indian tribes are seeking additional royalties for the coal and have concerns about having an adequate supply of groundwater. In addition, a court has issued a consent decree that requires the plant to install new pollution-control equipment by the end of 2005, following a suit filed by an environmental group claiming the plant was polluting air at the Grand Canyon. Under normal conditions there would appear to be enough time to solve the problems. But a **delay in selling the power plant** by its current owner (Southern California Edison) to AES Corporation **may prevent the pollution improvements from receiving regulatory approval** in time to avoid a shutdown. In addition, there may not be enough time to find new sources of water and coal, if problems with the tribes cannot be resolved.

Trade

Phoenix-based **Westcor Partners** have released details for **redevelopment of Flagstaff Mall**, after previous plans — which included a Wal-Mart Supercenter, Harkins movie theater complex, Dillard's expansion, and additional shops — fell apart several months ago. This time, Westcor wants to still **expand Dillard's** by 25,000 square feet on one end of the mall, and **build three small "big-box" retail stores** (approximately 30,000 to 40,000 square feet each) and one large "big-box" store (180,000 square feet) on the mall's other end. The 90-acre project on land leased from the state would also include an Olympic-size **ice-skating center**, **several car dealerships**, a **movie theater complex**, and **residential housing**.

The **Hopi Indian Community** is working on plans to **develop a shopping center near the town of Polacca** on the south side of State Route 264 about 60 miles east of Tuba City. A **Bashas' grocery store employing about 80 people** would anchor the development, which would also include retail shops, a restaurant and gas station, and a post office. Target date for construction to begin is September, with completion about a year later.

A 47-year-old **Phoenix-based beer distributorship** has **bought 12 acres in Prescott Valley** where it expects to **build a 35,000-square-foot warehouse**. **Hensley and Co.**, which employs about 500, will use the new facility at the Big Sky Industrial Park to deliver shipments to central and northern Arizona clients. No opening date or potential employment has been announced.

Bullhead City **approved rezoning** a tract of land in mid-March to allow the building of a **Home Depot** and **Carl's Jr. restaurant** along State Highway 95. No other information, including the number of potential jobs, was available.

Services

Yavapai Regional Medical Center (YRMC) in Prescott opened an **expanded emergency room** in late January that more than triples its size (to 17,000 square feet) and adds seven beds. The \$6 million project led to seven new emergency room workers and the doubling of doctors during peak hours (3 p.m. to 11 p.m.). YRMC emergency room visits grew by three-quarters in the past six years to 34,000 in 2001. The new facility will handle non-life-threatening injuries and illnesses.

Verde Valley Medical Center, owned by the city of Cottonwood, is planning a **two-phase expansion**, with an as-yet-to-be-determined time schedule. On tap first, possibly in 2003, are an **ambulatory surgery center**, **neuro-surgery operating room**, and **cardiac catheterization lab**. Plans down the road include two medical office buildings, a full-service cancer center, and a radiology unit.

Work has **begun** on a nearly 88,000-square-foot **casino** for the **Cocopah Indian tribe in Somerton** that will replace a current operation less than half the size of the new

facility. The new casino, expected to **open in late summer or early fall of 2003**, will sit adjacent to the current casino, which sports 300 slot and video gaming machines, on State Highway 95 at County 15th Street. No information was available on the number of new jobs the expanded casino would create.

Government

The **Border Patrol** expects to **open** a new \$22 million **station in June** that will **house its 500 Douglas agents**. The 52,000-square-foot building, two miles west of the Douglas Port of Entry, will replace a structure that currently houses 70 employees. The federal government also plans to build a new horse stable, garage, and parking facilities next to the new station.

To offset higher teacher pay and insurance costs, the **Flagstaff Unified School District** will likely **eliminate 41 teaching positions** for next school year. Teachers affected by the cuts will still have the chance to apply for vacancies due to retirement and resignations. A decision on the downsizing was expected in April.

Despite strong lobbying efforts by Sierra Vista officials, **Fort Huachuca** was **not chosen** for a new **Southwest regional headquarters** for the **Army's reorganization of military installations**. The Army is creating four regional headquarters in the U.S. and seven worldwide, which will be used to minimize the effect of downsizing on local communities during the next base-closing process. Losing out on the regional headquarters was not a sign that Fort Huachuca's odds of being closed will be greater, military officials said.

Navajo County was expected to **open a new Juvenile Detention Facility in Winslow** in late March. The \$5 million project, which took two years to complete, will house up to 40 juveniles and include classrooms and recreational facilities. No information was available on potential new jobs the facility would create.

The **Yavapai County Board of Supervisors** approved funds for **10 additional workers** requested by the **county Sheriff's Office** after a federal investigation showed an under-staffed department had violated the rights of prisoners. The board approved funds for six detention officers, two nurses, and two secretaries for the medical staff at the Yavapai County Jail in Cottonwood. Other problems cited by a U.S. Justice Department investigation, such as overcrowding, are expected to be alleviated by the building of a new jail in Camp Verde.

Like many school districts across the state having to deal with budget deficits, **Humboldt Unified School District** in Prescott Valley said it will be forced to **lay off about 20 percent** of its **315 teachers** at the end of the school year (also see Tucson Metro Area, above). A combination of a sluggish economy, higher salary costs, and smaller-than-anticipated enrollment have contributed to Humboldt's budget woes.

Miscellaneous

The **city of Payson** is seeking to **acquire 400 acres** on

the **southwest side of Payson Municipal Airport** in order to open **future opportunities for economic development and expansion** of the air facility, thus creating additional jobs. The city has proposed trading 75 acres next to Montezuma Castle National Monument and appropriating additional funds to three private groups that own the property next to the airport. Payson would use 13.5 acres for the airport expansion and the rest for potential commercial development.

Statewide

Transportation, Communications, and Public Utilities

Born out of the death of Sunrise Airlines, Mesa based **Arizona Express Airlines began service** in late December, flying between Show Low and Phoenix four times a week. The 10-employee start-up air carrier expects to expand service between Show Low and Phoenix to seven days a week, along with servicing other locations, when demand picks up. Page-based Sunrise, which flew to cities in Arizona, Utah, and Nevada, filed for bankruptcy last spring.

Trade

Two national retailers experiencing financial problems are **closing stores** to regain profitability. **Kmart**, which operates 300 stores nationwide, is **shuttering six of its 36 Arizona locations** — **three in Phoenix** and **one each in Safford, Flagstaff, and Douglas**. Michigan-based Kmart filed for Chapter 11 bankruptcy protection in late January. Meanwhile, to improve profitability **Toys “R” Us Inc.** announced in late January it will **close 64 stores** — 27 Toys “R” Us and 37 Kids “R” Us outlets — and cut 1,900 jobs, or 3 percent of its workforce, across the country. No information is currently available on how the closings might affect the national retailer’s dozen or so Arizona stores, located primarily in Tucson and Phoenix.

The **future of thousands of Arizona workers** is **unclear** after the **approval** of the **merger of Phillips Petroleum and Conoco** by their shareholders in mid-March. A large majority (4,200-plus) of Phillips’ workers in the state are employed in Maricopa County at Circle K and Phillips convenience stores, as well at their marketing arm (about 1,500 jobs) in Tempe. Phillips acquired the Circle K stores and its marketing operation when it purchased Tosco Corp. last year. But workers throughout the state could be affected by the potential shutdown of retail locations. The new combined company expects to save about \$750 million annually through job cuts and redundancy savings.

Move over Walgreen’s, Osco, and CVS, more competition is coming your way in Arizona. The **first of 60 planned drug stores for the state** (primarily in the Phoenix and Tucson metro areas) by Florida-based **Eckerd Corp.** will **open by the end of the year**. Coming only a year after Rhode Island-based CVS announced its intention to enter Arizona’s market and take on the state’s two largest drug store chains — Walgreen’s (187) and Osco (94) — Eckerd has more than 2,600 stores in 20 states. CVS, which has

the nation’s largest number of stores (about 4,200), expects to open its first three locations — one each in Chandler, Gilbert, and Mesa — in Arizona by the end of 2002. Meanwhile, **Walgreen’s** and **Osco** are **continuing to expand** their statewide operations. Walgreen’s, which opened 30 stores in the past year, plans to **add 20 more by 2003**, and **Osco** is currently **opening new stand-alone locations and mini-stores inside Albertson’s supermarkets**. The aging baby-boom generation — “hooked” on medication for every ailment — is driving the growth in Arizona and nationwide, say industry officials.

Government

A current **\$200 million budget deficit** for fiscal year 2001-'02 could **force the closure of 10 Arizona parks**, as well as the **layoff of 10 percent of Arizona’s probation officers**. In February, the Legislature cut at least \$4 million from the state’s Heritage Fund — which partially funds the State Parks, and Game and Fish departments — causing the **elimination** of more than **100 Parks and Game and Fish jobs**. In addition, the **Administrative Office of the Court**, which has already reduced spending by \$7 million, may **face cuts** of up to \$9 million more, **causing the lay-off of 100 to 200 probation officers**.

In related news, **county officials**, worried about a loss in revenue due to the sluggish economy, **lobbied legislators** to avoid a proposal made by Gov. Jane Hull in mid-March to **shift \$42 million in state services to counties**. As part of a plan to solve a nearly \$1 billion state deficit, the governor proposed moving state prison inmates to county jails, withholding the state’s share of payments for indigent health care, and suspending money for pay raises for county probation officers. Unlike the state, counties have been buffeted somewhat from severe deficits because of increasing property taxes due to higher home valuations, said an official in the Governor’s Office. The final outcome wasn’t expected to be known until the end of May.

Already reeling from millions of dollars in losses and lower credit ratings, Denver-based **Qwest Communications International** will be **challenged** for local customers by **MCI Group** in 32 states, including Arizona. A subsidiary of WorldCom, Inc., MCI will be the first company to directly compete with Qwest in Arizona by leasing Qwest’s phone lines. (Cox Cable provides local phone service in Arizona (in the Phoenix metro area) over its cable system.) Not necessarily because of the MCI move, **Qwest** announced in mid-April that it will **lay off** by the end of September an **additional 2,000 employees**. Qwest, which said the layoffs will **not affect its 7,700 Arizona employees**, will have cut its total workforce by 20 percent (to 53,000) when the layoffs are complete.

Miscellaneous

Private industry, individual investors, Arizona’s universities, and the state itself are **coming together** to land one of the most sought-after projects in the country. Over

(continued on back page)

Industry Update (Cont.)

(continued from page 19)

the past few months, these varied interests have cobbled together an **estimated \$90 million** (and are seeking another \$30 million) in pledges to battle three other states in **landing the International Genomics Consortium** — a research group that explores genomics and medical applications. If successful, Arizona would attract biotech companies from around the world seeking solutions to some of life's most vexing problems, such as cancer, organ regeneration, and genetic defects. Tucson is home to at least 60 biotech firms employing 1,700 people.

Through mid-March, **Cactus League attendance** was on a **record-setting pace**, but apparently it **won't be enough to offset a mediocre winter tourism season**. Total attendance was expected to break 1 million this year, beating a record set in 1999. However, higher baseball attendance may have been spurred by local, not visiting, fans' interest in the Arizona Diamondbacks, who won the 2001 World Series. **Hotels in the east Valley** reported **higher vacancy rates** than a year earlier due to a weakened economy exacerbated by the Sept. 11 terrorist attacks. On a good note, however, work on a new 10,500-seat

stadium in Surprise (in the northwest Phoenix area) for the Texas Rangers and Kansas City Royals is progressing smoothly, with an expected opening for the 2003 spring training season (also see "Government" section in Phoenix Metro Area, above). The two teams will increase the Cactus League to 12 clubs, which should lead to additional tourism revenue from hometown fans visiting the state.

While some areas of Arizona's tourism business (e.g., resorts) are hurting due to the recession and September 11th, one **tourism sector expected to see an increase in business is adventure outfitters**. Outdoor thrill seekers — hikers and mountain climbers, kayakers and river rafters, balloonists and parachuters — are likely to stick closer to home, rather than travel to other countries, say industry officials. International adventure travel is down 50 percent, partly due to a fear of terrorism, according to a story in the *Arizona Daily Star*. **Arizona has more than 500 adventure travel companies** and ranks 4th among all states in trips to public lands, the *Daily Star* reported. About 45 million Americans spent \$110 billion on adventure trips in 2001, said an official with the Adventure Travel Society. Hopefully, Arizona will get its fair share. **AET**



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Research Administrator	Dan Anderson
Managing Editor	Ron Simon
Editor	Brent Fine
Publication Assistant	Rosemary Jones

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